[BSP CIRCULAR NO. 1305, September 06, 1991]

REGULATIONS ON REMITTANCE OF SHARE OF LOCAL BRANCHES OF FOREIGN FIRMS IN THE EXPENSES OF ITS HEAD OFFICE

The Monetary Board in its Resolution No. 943 dated August 23, 1991 has decided to allow local branches of foreign firms operating in the Philippines to remit its share in Head Office expenses, subject to the following conditions:

1. The head office assigned capital in the branch shall be duly registered with the Central Bank as required by existing regulations;

2. Submission of details of the head office expense, which the branch is being asked to share in and the manner of apportionment of said expense, accompanied by a certification from an independent and reputable Certified Public Accountant (engaged by head office) containing the following information:

   a. The home office deductions for the year involved have been examined in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as were considered necessary in the circumstances.

   b. The deductions pro-rated to the Philippine branch do not include:

      i. Net losses of any other operating unit or branch;

      ii. income tax payment;

      iii. capital expenditures; and

      iv. expenses directly chargeable to any other branch.

   c. The amount of allocable overhead expenses used in the pro-rata allocation of the Philippine Branch is the same amount used in the pro-ration to all branches worldwide and the amount disallowed in other countries because of governmental requirement is not added back to the allocable amount.

   d. Should there be an exception or qualification on the above-requested certification, an explanation with supporting documents should be submitted.

3. Corporate Secretary’s sworn certification that funds for the purpose shall not be financed by domestic borrowings.

4. The amount to be remitted shall not reduce the ratio of current assets to current liabilities below 2.1.